GOING FORWARD

FIVE YEAR PLAN
2002 - 2006

WCB
Workers Compensation
Board of Manitoba

www.wcb.mb.ca

WCB Manitoba
Five Year Plan 2002 - 2006
Going Forward

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WCB Manitoba
Five Year Plan 2002 - 2006
Going Forward

EXECUTIVE SUMMARY

The Workers Compensation Board has served Manitobans for 85 years. While its basic function—protecting workers through an employer-funded program—has not changed, the way it provides that service has evolved substantially.

The WCB has embraced a vision to work with our partners to build a safer and healthier Manitoba. To achieve this vision, the WCB has implemented a new case management system, delivered service along industry sector lines, revised policies to ensure that workers receive fair benefits, retooled the premium Rate Model and adopted new technology to improve services to clients while keeping rates low.

We are committed to making continuous improvements in the way we do business. The Five Year Plan provides a review of changes made and introduces new initiatives that support and advance the WCB's vision.

Internal processes are being changed to be more client-focussed and better able to meet clients' needs. We have piloted the Internet-based reporting of claims with large employers. Health care providers have been encouraged to fax rather than mail progress reports to the WCB. The Claim Information Centre was opened with extended hours so that workers and others can phone in information relating to their claims. The clearance process will also be reviewed to take advantage of opportunities to make it significantly faster and simpler for employers.

A regional office will open in Thompson on a pilot basis in the late autumn of 2002. This office is expected to be a major service improvement for northern residents who will be able to interact more closely and conveniently with WCB staff.

The WCB is committed to prevention and is the primary funder of prevention and safety activities in Manitoba. Already, the new Case Management Model and the new rate setting model are serving as catalysts for prevention. The WCB is also piloting a performance feedback tool or "scorecard" with larger employers. The scorecard enables employers to see what their future claims costs are likely to be if they make changes to their existing prevention activities. The Board has worked with the Workplace Safety & Health Division of the Ministry of Labour and Immigration to produce guides for employers on occupational health and safety and disability management service providers. Together with our partners, we are making a difference. Injury rates in Manitoba declined in 2001 and are projected to continue to decline over the next five years.

The Review Committee on Improving Workplace Safety and Health has recently released its report in January 2002. Pending the outcome of further consultations connected with the review, the WCB is committed to working with the Workplace Safety & Health Division to achieve the objectives and goals of prevention in Manitoba.

After the longest and strongest rise in history, stock markets around the world experienced a severe downturn beginning in 2000. As a result of this decline, the WCB will increase the average premium rate charged to employers for WCB coverage from $1.49 to $1.56 effective July 1, 2002. The rate increase in 2002 will be the first increase of the average rate in more than ten years and follows reductions in 1997, 1998 and 1999 and a rebate in 1997.

The Workers Compensation Board continuously evaluates its position in the province and looks at changes in the province's workforce to ensure that its services are timely, appropriate and cost-effective. Using what it has learned, the WCB will go forward with its mandate of protecting Manitoba's workers.

OUR ACCOMPLISHMENTS

In the past ten years a fundamental shift in focus has taken place at the WCB. It has moved away from merely administering *The Workers Compensation Act* to more proactively improving the safety and health of Manitobans while lessening the impact of workplace accidents and illnesses. To continue to succeed, the WCB must deliver superior customer service. This was the WCB's focus as it entered the 21st century.

To effect this change the WCB assessed the needs of workers, changes in the nature of work and technology in the workplace. Four new long-term goals were identified to clarify the need and focus the corporation's efforts.

- Minimizing Risk—fewer workers become injured or ill
- Minimizing Impact—workers return to health and work sooner
- Improving Service—clients are looked after more effectively and efficiently
- Building Capacity for Change—ways are found for the WCB to improve continuously.

Several key initiatives have been undertaken to help achieve the WCB's goal for a safer and healthier Manitoba. These initiatives involved the revision of the premium Rate Model, the implementation of a new case management system, delivering service along industry sector lines and revising policy to ensure workers receive fair benefits. These changes also embraced new technology to allow the WCB to improve its services to clients while keeping rates low.

PROTECTING WORKERS

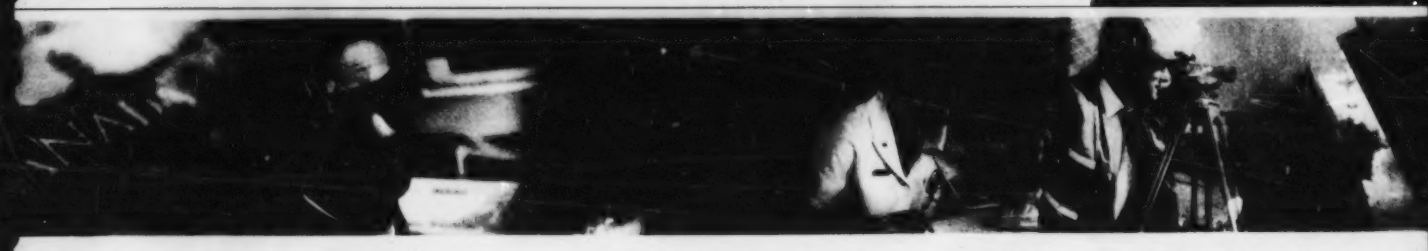
One of the most important contributions the WCB can make in Manitoba is working with its partners to reduce the number of accidents in the workplace and protect workers from injury. The Rate Model and pricing structure is an effective tool in achieving this objective.

In 2000 the WCB introduced incentives within the Rate Model to encourage the prevention of accidents. The Rate Model rewards employers and industry sectors with good claims experience and charges more to those with higher claims costs.

To provide employers with a better understanding of their claims experience and how it affects the rates they pay, the WCB has developed a performance feedback tool or "scorecard" which recaps the previous five years claims costs and projects assessments for the next five years. This project is being piloted with large employers to see what their future assessments will be under various accident reduction scenarios. The scorecard draws employers' attention to the need for additional prevention measures in their workplaces.

To further aid employers with their risk reduction efforts, the WCB produced the *Occupational Health and Safety Resource Guide* (in conjunction with the Workplace Safety & Health Division) and the *Disability and Risk Management Resource Guide*. These are also available on the WCB web site **(www.wcb.mb.ca)**.

Funding to the Workplace Safety & Health Division has been increased by $0.8 million in 2000 and $0.4 million in 2001, allowing it to enhance its enforcement, inspection and prevention activities.



The Workplace Safety & Health Division of the Ministry of Labour and Immigration and the Rehabilitation and Compensation Services Division of the WCB have worked in partnership to identify employers with poor accident records and to assist them in reducing accidents and increasing opportunities for early return to work.

There has been early improvement in the overall injury rate, dropping from 5.8 time loss claims for every 100 workers in 2000 to 5.4 in 2001. The manufacturing sector, the highest-risk industry sector in Manitoba, also recently experienced a drop in overall injury rates from 12.7 time loss claims for every 100 workers in 2000 to 11.4 in 2001.

CLAIMS ASSIGNED BY INDUSTRY SECTOR

Meeting these challenges required major organizational change. Rehabilitation and Compensation Services were aligned along industry sectors, and a new focus was placed on prevention, disability management and the development of a team work culture. Three industry-based case management departments were developed and staff in Short Term Claims were aligned with the industry sectors within case management. The internal change was necessary before the WCB could change and improve its external services.

Increased focus was placed on client education and information to promote early recovery and early return to work. These efforts include management of health care treatment, maintaining a workforce connection or, in some cases, providing vocational rehabilitation and employment services.

The new process had several objectives:

- Quicker service through reduced transfer of files between staff
- Better service through increased continuity of services for injured workers
- More responsive service through enhanced accountability
- Better results through strengthened partnerships with employers, injured workers and their associations
- Overall increase in customer satisfaction.

The case-management process included several specific improvements:

- A single contact for short-term clients was created, providing better continuity
- Serious or complex injury claims are referred to case management immediately to ensure more timely management of necessary services
- "Client teams" are used to provide better continuity of service to organizations and industry groups
- Processes have been streamlined to reduce delays and better coordinate the WCB's internal service partners.

The new model became operational on October 30, 2000, after some five years of preparation.

The WCB met with clients to help evaluate the new Case Management Model. While they say there is still room for enhancement, the new claims handling model is considered to be a major service improvement.

Providing one WCB contact for employers increased and improved communication with key stakeholders and built relationships with employers and labour at the job site, enabling the WCB to talk about safety and disability management on a one-to-one basis. Some individual firm testimonials indicate that the WCB has had an impact on costs, reduced duration and helped their injured workers return to work earlier and more safely.

IMPROVED BUSINESS PROCESSES

Dramatic improvements in customer service can result when an organization evaluates its own internal processes in terms of the service it offers. In 1999, the WCB adopted Business Process Renewal as a tool for change. The goal of process renewal is to redesign the organization's business processes to achieve significant improvements in service, quality, cost and speed. So, with a focus on client needs, this may mean revamping long-established procedures and re-evaluating the work required to deliver service and value to the customer.

The need to improve claim receiving and handling was identified as a priority within the process of business renewal. The first step in this process was to encourage health care providers to fax rather than mail accident and subsequent reports to the WCB.

- Only 2% of health care reports were faxed to the WCB in October 1998
- As of December 2001, 92% of initial health care reports are being received by fax.

Reducing the time from date of accident to WCB notification speeds up the process of adjudication.

The next stage involved providing workers and employers with a central phone number to report accidents, rather than the previous reporting process that relied on the completion and mailing of forms. A Claim Information Centre opened on May 22, 2001. The new centre is staffed by 11 Claim Information Representatives who are able to create claims from information received over the phone, by fax or by mail. This service is targeted to workers, but is available to all. The Claim Information staff use a newly developed Claims Intake System to capture information and create files.

The new system allows the WCB to provide the caller with their claim number and the name and phone number of the adjudicator handling the claim and to provide necessary information and answer any questions the caller may have. The Centre also has extended work hours from 8 a.m. to 7 p.m. to enhance service.

With the establishment of the Centre, the number of first reports from workers taken over the phone has increased from 2% in October 2000 to 32% in December 2001. Initial feedback from stakeholders has been extremely positive.

- Overall, the total number of accidents reported to the WCB within two days has increased from 10% in October 2000 to 35.6% in December 2001.

STRENGTHENING OUR BENEFITS POLICIES

The WCB has made significant movement toward reducing the impact of injury on severely injured workers. In 2000 and 2001 several policies were developed or modified to ensure that WCB services and benefits were fair and that they lessened the negative impact of the injury on the worker, facilitated timely return-to-work and increased the flexibility to address the individual circumstances of clients.

- Overpayments
- Hearing Loss
- Spousal Rehabilitation
- Modified/Alternate Work
- Average Earnings
- Prospective Earnings
- Net Average Earnings
- Post-Accident Earnings
- Lump-Sum Commutations
- Support for Daily Living
- Medical Aid
- Disclosure of Information – Employer Access
- Expenses for Attendance at Appeal Hearings

CLAIMANT SERVICE SAVINGS

Recognizing that a crucial part of the rehabilitation process of an injured worker is prompt health care, the WCB examined new ways in 2001 to organize and improve the quality of and access to care that will help workers recover more quickly. In 2001, for example, the WCB implemented a wholesale purchasing program that has saved the WCB substantial amounts on goods to help claimants, such as hearing aids, computers, chairs and tools.

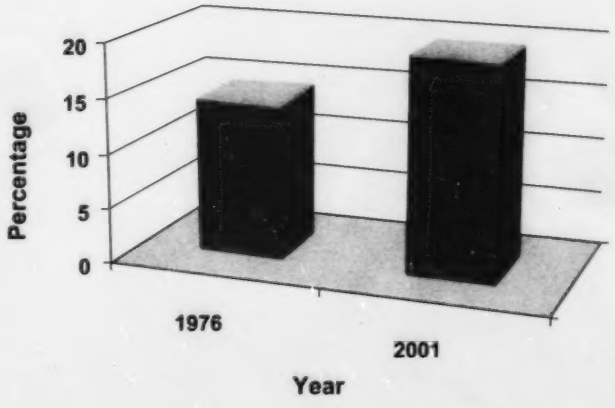
CURRENT CHALLENGES

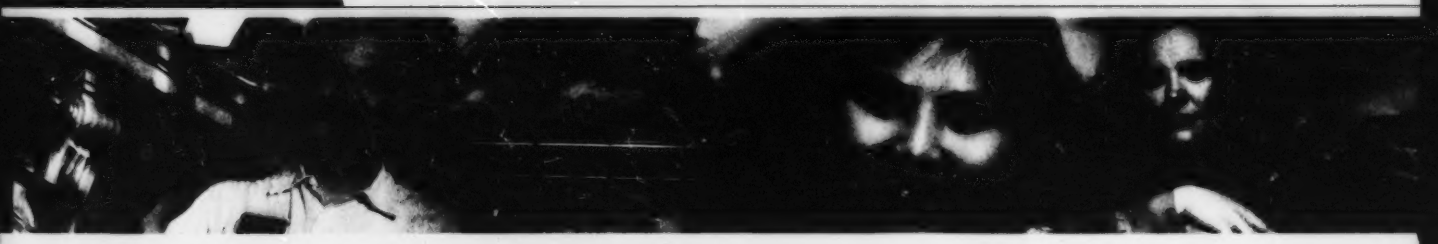
Significant changes are occurring in the nature of work and the labour market. The pervasive use of new technology, new management and human resource practices, changes in the pace and complexity of work and the growth of knowledge-intensive and service industries have had a substantial effect on the nature of compensable injuries and how the WCB does business. The workforce is aging and becoming more diverse. These environmental changes will pose certain challenges to the WCB in the coming years.

CHANGING NATURE OF WORK

For the past several years, a major trend in employment growth has been the increase in part-time, on-call and non-standard employment. Part-time and casual workers are more likely to be younger and less averse to risk than older, experienced workers. On-call workers are often assigned to the least favourable jobs, where they are less likely to receive health and safety training or to have specific job knowledge and hazards information in the workplaces to which they are temporarily assigned. In 2001, part-time employment accounted for 19.4% of total employment in Manitoba, increasing from 14% in 1976.

Part-Time Employment as a Percentage of Total Employment in Manitoba, 1976 and 2001

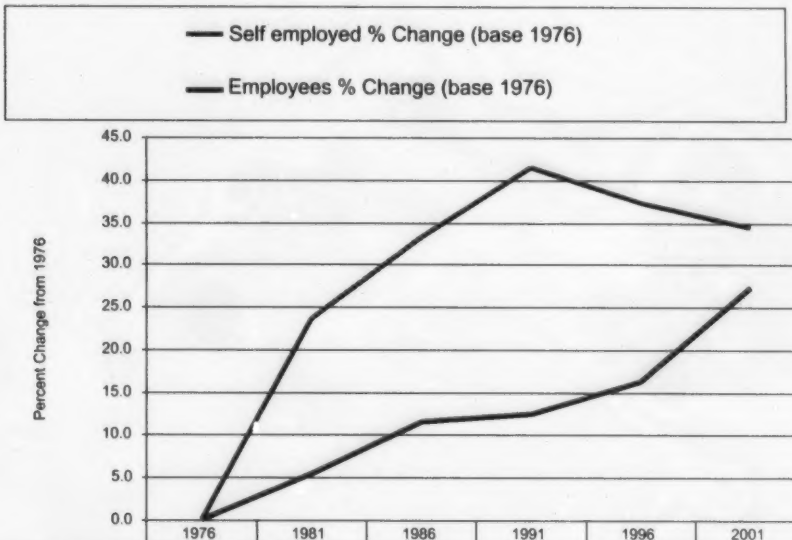




Most of the employment growth in 2001 was with young, part-time workers. This increase in part-time employment could create difficulties in re-employing injured workers who wish to return only to full-time employment.

Employment relationships are changing as technology supports mobile workplaces and allows more workers to do business from their homes. It may be more difficult for employers to confirm injuries when employees work at home, and this may make it more difficult for the WCB to adjudicate claims.

Percentage Change in Employment Growth by Class of Employment



	1976	1981	1986	1991	1996	2001
Self employed % Change (base 1976)	0.0	23.6	33.2	41.4	37.2	34.3
Employees % Change (base 1976)	0.0	5.4	11.7	12.5	16.3	27.4

CHANGING INDUSTRY BASE

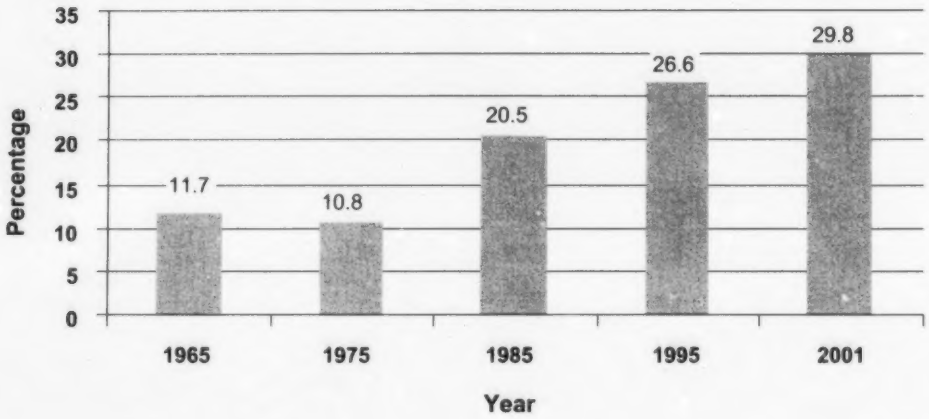
Over the last several years, there has been a notable swing away from manufacturing and resource extraction industries toward service and knowledge-based jobs in Manitoba. The changing employment structure impacts the number and types of injuries and illnesses and their associated costs and service delivery. A growing service sector and shrinking mining, forestry and railway sectors has resulted in a reduction of acute and sometimes fatal injuries, and a slow growth in soft tissue injuries such as sprains and strains.

The service sector is the largest employing sector in Manitoba and is expected to increase its share of the employed labour force from 45% in 1999 to 48% by 2006. Since many of the firms not required to obtain WCB coverage for their employees are within the service sector, growth within this sector will increase the number of firms not registered with WCB.

CHANGING WORKFORCE DEMOGRAPHICS

More women entered the workforce over the last 30 years, finding employment predominately in the service sector. Women face different injury and health hazards and confront different recovery challenges. For example, women tend to stay off work longer than men, thus increasing both duration and claims cost. The proportion of WCB claims received from women has been increasing, up from 7% in 1960 to 29.8% in 2001.

Women as a Percentage of Total Time Loss of Claimants, 1965 - 2001



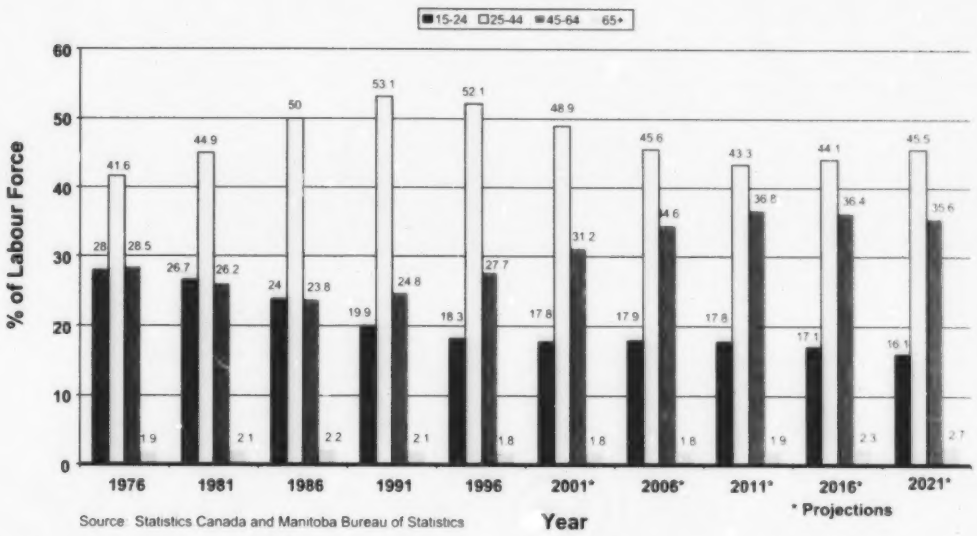
Manitoba's Aboriginal population is expected to increase 29.1% over the next 10 years. The Aboriginal population in Manitoba is younger than the non-Aboriginal population. As a result, it is projected that as many as one in four new entrants into the labour force by 2026 could be Aboriginal.

The expected increase in claimants of Aboriginal origin may pose a challenge for the WCB. The current education, employment, and health status of Aboriginal people is often lower than for non-Aboriginal people. These factors often contribute to longer claims duration and may pose barriers to re-employment efforts. As well, there will be a growing need to increase the employment opportunities for people of Aboriginal origin, along with other underrepresented groups, within the WCB.

AGING WORKFORCE

Manitoba's workforce is aging as the baby boom generation grows older. The aging workforce is reflected in the distribution of WCB claimants. The average age of WCB claimants was 33.5 in 1988 but has risen to 37.0 in 2001.

Proportion of Manitoba Labour Force Projections, by Age Group
1976 - 2021



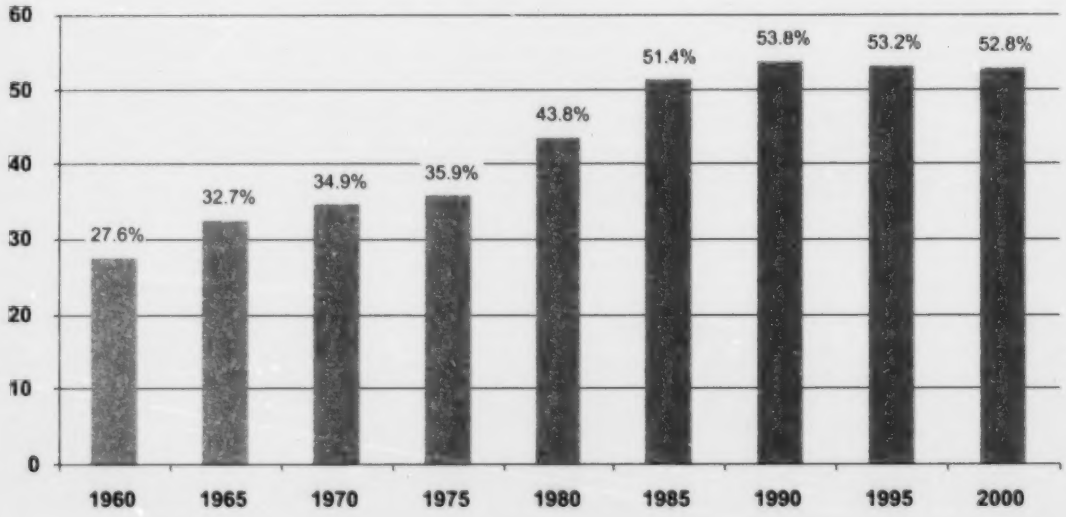
Source: Statistics Canada and Manitoba Bureau of Statistics

The significance of an increasingly older workforce is threefold. Older workers generally take longer to recover from their injuries, experience more recurrences and suffer a disproportionate number of fatalities and injuries with a permanent impairment compared to younger workers. Moreover, older workers tend to have higher average salaries than younger workers, resulting in higher average claims costs. At the same time, however, older workers have fewer accidents than their younger counterparts.

INJURY PROFILE

With changes to the industry base in Manitoba and changes in the nature of work and the workforce has come *changes to the kinds of injuries*, disabilities and diseases faced by workers. Although catastrophic acute injuries, fatalities and historical occupational diseases still occur, there has been an increase in work-related musculoskeletal injuries, such as strains and sprains, which now constitute the majority of injuries and costs. In 1960, 27.6 % of injury claims were due to musculoskeletal injuries, in 2000 these injuries increased to 52.8 %. Musculoskeletal-related claims tend to have longer durations and higher claims costs.

Musculoskeletal Injuries as a Percentage of All Time Loss Injuries 1960 - 2000

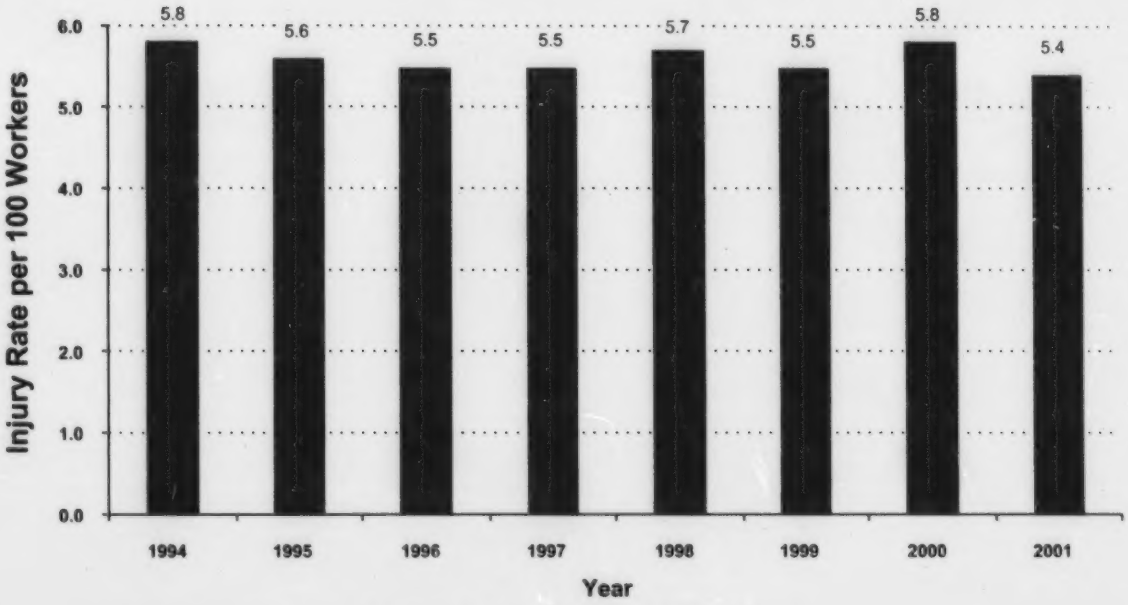


The growth in work-related musculoskeletal injuries poses prevention challenges to the WCB and its partners. Musculoskeletal injuries are complex and multi-factorial. They include psycho-social (i.e. work relationships), individual (i.e. age or gender) and bio-mechanical (i.e. the physical work environment) components. There is no one single intervention solution to musculoskeletal injuries. It is harder to know how to intervene, and solutions require the involvement of many agencies and players, particularly employers and health and safety committees.

HIGH TIME LOSS CLAIM RATES

Manitoba did not benefit from the significant reduction in work-related injuries that occurred in other parts of Canada in the 1990s. Reported accidents and time loss claims in Manitoba remained high in the 1990s, resulting in a claims rate of between 5.4 – 5.8 accepted time loss claims for each 100 full-time workers in the covered workforce over the last eight years. There was, however, a small drop in time loss claims and rates in Manitoba in 2001.

Restated* Overall Time Loss Claims for WCB Covered Workforce
Manitoba 1994 - 2001



*These rates are not comparable to those previously published. The restated rates have incorporated Statistics Canada's new methodology for determining average weekly earnings.
Source: MB WCB Data

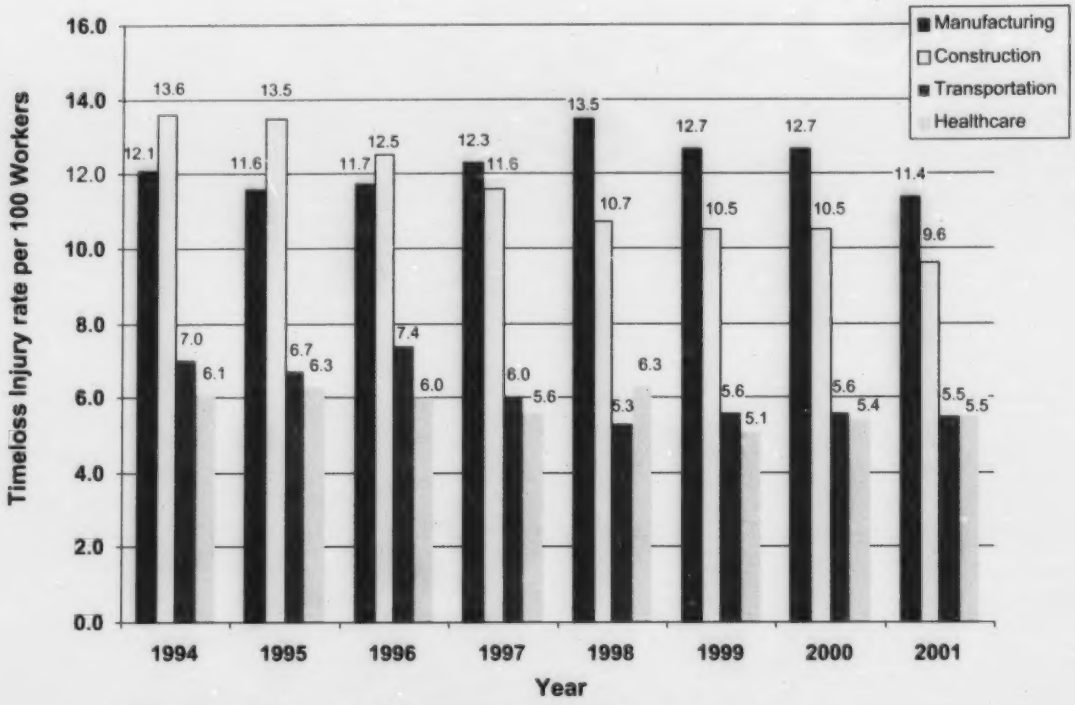
RISK OF INJURY

Not all workers are at the same risk of an injury. Identifying high-risk activities, individuals and sectors helps focus prevention efforts where they might have the greatest impact.

Young workers have demonstrated a greater risk of injury than more experienced workers. Employment growth among youth could result in a disproportionate increase in young-worker claims and an overall increase in claims volume.

Manufacturing has the highest time loss claim rate and generates the highest proportion of claims. Employment growth in this sector is expected to result in disproportionately more reported and accepted claims. While there was a drop in claims from the manufacturing sector in 2001, the time loss injury rate per 100 workers still remains higher than any other industry sector, suggesting that prevention efforts must remain a priority for this sector.

Restated* Time Loss Injury Rate – Select Manitoba Industries



*These rates are not comparable to those previously published. The restated rates have incorporated Statistics Canada's new methodology for determining average weekly earnings.
Source: WCB Data

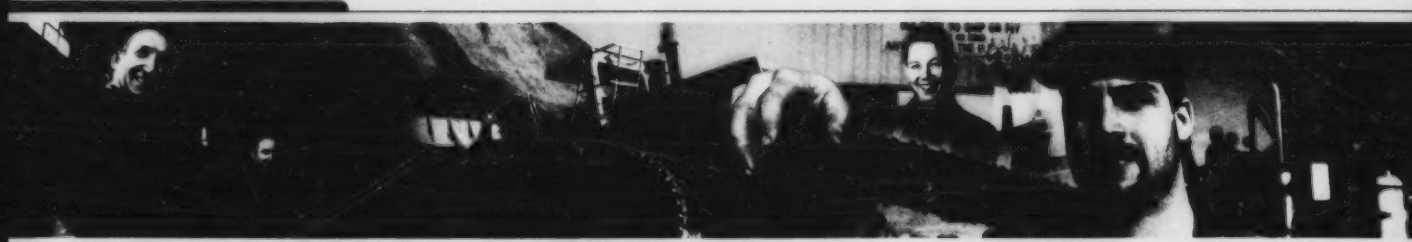
THE REVIEW COMMITTEE ON WORKPLACE SAFETY AND HEALTH

The Report of the Review Committee on the Public Consultations into the Workplace Safety and Health Injury Prevention Strategy, identified several recommended strategies for reducing workplace injuries and illnesses in Manitoba.

The cornerstone recommendation of the Committee is that the Workers Compensation Board and the Workplace Safety & Health Division of the Ministry of Labour and Immigration work together with all Manitobans to develop a provincial initiative that will create and sustain a safety and health culture in Manitoba. This initiative will require:

- Far greater public awareness
- Training for employers, supervisors and workers
- Establishing prevention measures and standards
- The enhancement of internal and external responsibility systems.

Another important recommendation of the Committee is that the WCB and the Workplace Safety & Health Division develop a formalized joint planning process, including personnel and budgets, so that they can make the most effective use of resources and prevent any duplication of services.



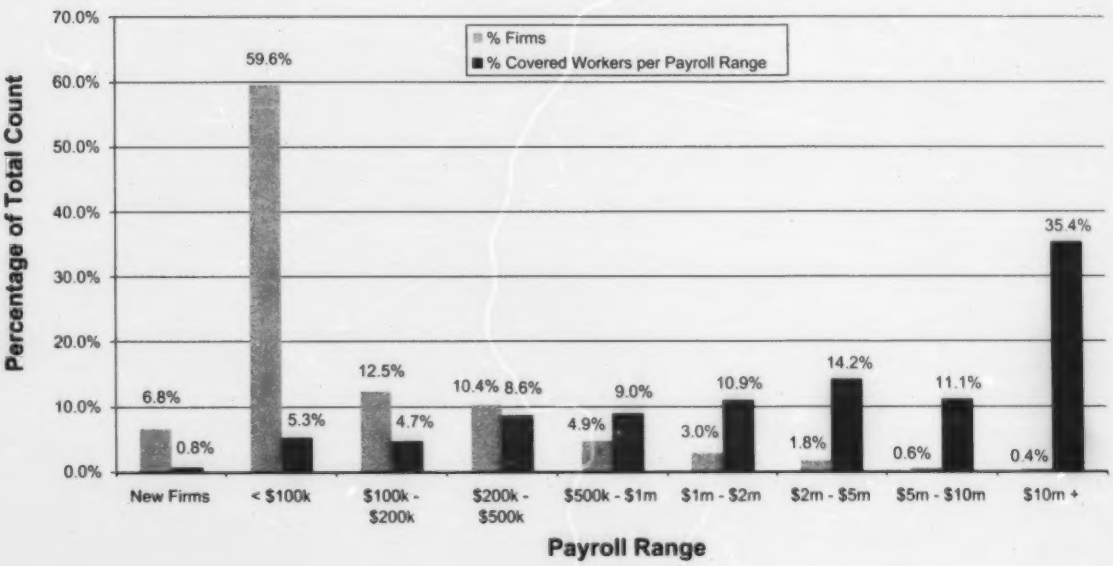
The WCB looks forward to working closely with the Workplace Safety & Health Division in these essential areas.

SMALL EMPLOYERS

Approximately 86% of Manitoba businesses employ fewer than 20 workers. Overall, 73.7% of the increase in the number of businesses in recent years was in small businesses. This is markedly different from 1998, where almost 40% of the growth was in larger employers.

Approximately 89 percent of WCB registered employers are small (payrolls of less than $500,000), although only 20% of the WCB's covered workers are employed with small employers. The 629 employers with payrolls in excess of $2 million employ over 60% of the workers covered by the WCB.

Firm Size:
Percentage of Firms and Covered Workforce by Firm Size, 2002 Projected



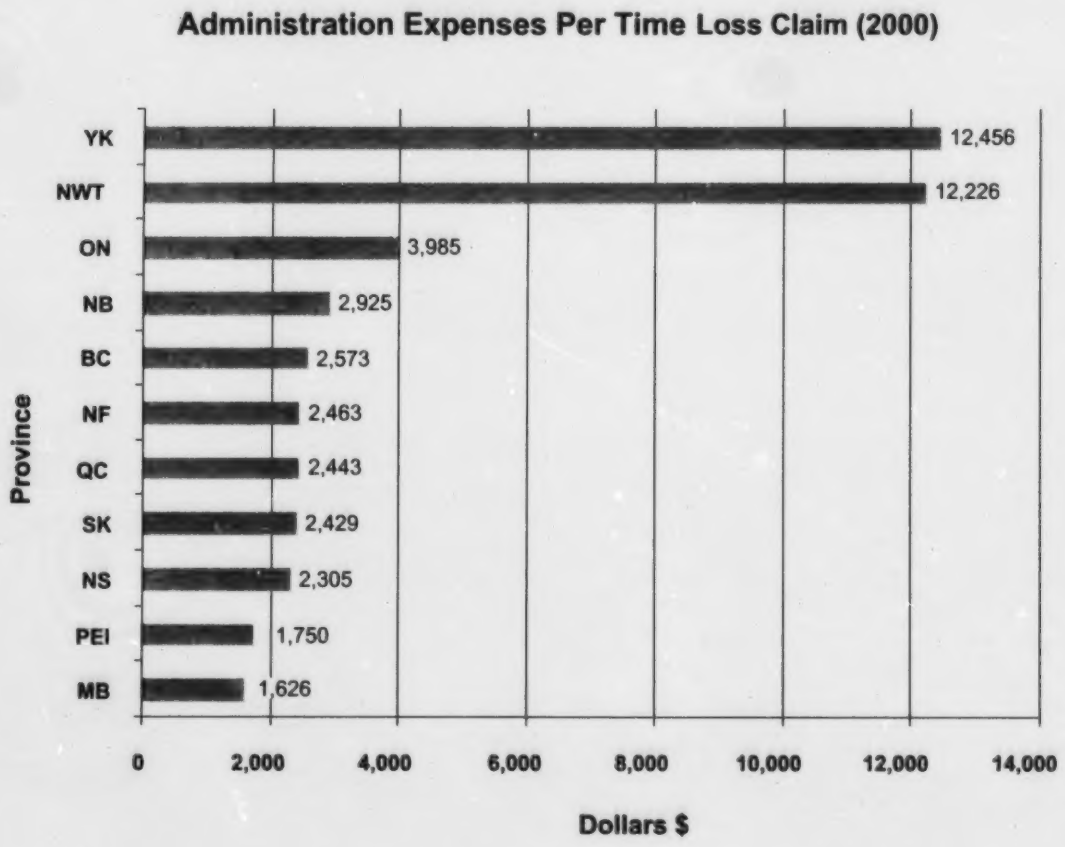
Small employers are generally less able to accommodate permanently impaired or recovering workers. An analysis of 1998 claim costs by employer size revealed that companies with the highest average claims duration were small and medium-sized employers. Smaller employers have fewer resources available to implement injury prevention and disability-management programs.

HEALTH CARE SERVICES

The Workers Compensation Board is outside the scope of *The Canada Health Act* and therefore pays health care providers and facilities for services provided to injured workers directly. However, it relies on the provincial health care system for the "nuts-and-bolts" of health care such as diagnostic testing, exams by specialists and access to surgical intervention. Costs to the WCB for the provision of health care services to claimants is rising at 7% per year—well beyond the rate of inflation. The public debate on Canada's health care system will also shape the WCB's operating environment while it fulfills its mandate to supervise and control medical services to injured workers.

EXPENDITURE AND FINANCIAL ISSUES

The WCB is in a strong financial position. The Manitoba WCB now has the lowest administration costs per time loss claim of any compensation authority in Canada. Manitoba is very efficient at administering claims. Manitoba WCB staff handle more time loss claims and reported accidents in terms of claims ratio to staff complement than other boards and commissions in Canada.



The WCB has fully recorded all its known liabilities. Manitoba is a leader in recording liabilities for long latency, occupational disease claims, as well as the future cost of administering existing claims. Manitoba's funding level of 102.7%, is higher than the Canadian WCB average, indicating the relative strength of Manitoba's financial position.

The WCB will face a number of fiscal challenges over the next few years. Average claim duration rose in 2001 (although by the end of the year this rise began to abate). The rise in average claim duration reflects, in part, the greater number of prior year claims. There were approximately 21% more prior year claims in pay in the first seven months of 2001 than in 2000. This is the result of the continuous rise in accidents in the 1990s and the severity of injuries.

In addition, investment returns dropped owing to declines in the stock market and the slowing rate of economic growth. The drop in investment revenue was the major contributing factor in the WCB's operating deficit for 2001. As the WCB's accounting policy recognizes investment market gains and losses over a 60 month period, the reduction in investment revenue will have a carry over effect on the WCB's financial picture over the next five years.

FACING OUR CHALLENGES

The current economic environment poses several challenges for the Workers Compensation Board. But it offers opportunities as well—opportunities to work with community partners to implement prevention strategies, foster the development of programs to return workers to health and work and dramatically improve service. The WCB is aware of the challenges it faces, and is actively pursuing strategies that will enable it to grasp these opportunities.

GOING FORWARD TO MEET OUR OBJECTIVES

In its effort to provide the best service and support to all stakeholders, the Workers Compensation Board of Manitoba continues to develop and refine its plans and objectives for the next five years. These objectives must continue to:

- Protect workers
- Return injured workers to health and employment sooner
- Provide superior service and value to employers and workers
- Increase our capacity to improve.

PROMOTING SAFETY

The WCB is the primary funder of prevention and safety activities in Manitoba. It is the major funder of the Workplace Safety & Health Division of the Ministry of Labour and Immigration, provides $1 million annually to the Community Initiatives and Research Program and helps fund the Workers of Tomorrow Health and Safety Campaign. In all, 13.8% of the WCB's 2002 operating expense budget is spent on prevention and safety-related initiatives.

The WCB also provides employer prevention incentives through the rate setting model. The WCB plans additional changes to the Rate Model to provide further incentives for employers to focus on the safety of their employees.

Programs will be developed with high-risk firms to reduce workplace injuries. This will include the development of safety programs among industry groups so that they can share best practices. A new policy that provides incentives to employers to be accredited in health and safety is also being considered as an addition to the Rate Model.

Ultimately, the WCB's objectives are to bring the time loss claim rate below 4.7% by 2006 from 5.4% in 2001 and to increase the number of workers protected by the WCB umbrella. This approximates the target of a 15% reduction in the injury rate over the four years from 2002 to 2005 announced by the Ministry of Labour and Immigration in 2001. *The Report of the Review Committee on the Public Consultations into the Workplace Safety & Health Injury Prevention Strategy* released in January 2002, in fact, calls for an injury rate reduction of 25% over the five year period from 2002 to 2006.

RETURNING WORKERS TO HEALTH

An important objective of the planning process remains that injured workers receive appropriate and timely medical care so that they can return to health and work in the shortest possible time.

The WCB continues to evaluate its health care programs and look at the costs and therapeutic value of treatments as well as the speed of service delivery. It will be important to develop strategies around the corporation's use of the health care system and its access to the public health system. The cost of health care is growing at a rapid rate. The entire health care system is under review to determine if it is best serving the needs of Canadians, and the WCB must review health care services to see if the needs of injured workers and their employers are being served.

One initiative the WCB is considering is a drug card program for pensioners and long-term claimants. Currently, injured workers pay for prescription drugs themselves and then are reimbursed by the WCB for these costs. Under this program, pensioners and long-term claimants would be able to go to approved pharmacies in Manitoba and receive prescription drugs without having to pay and have the cost billed directly to the WCB. The WCB would reimburse pharmacies for all prescription drug costs and dispensing fees directly. Cutting down the steps needed to deliver service would be more convenient for workers and will increase overall value.

PROVIDING SUPERIOR SERVICE

The WCB has introduced new programs and adapted new technologies to improve its service to clients.

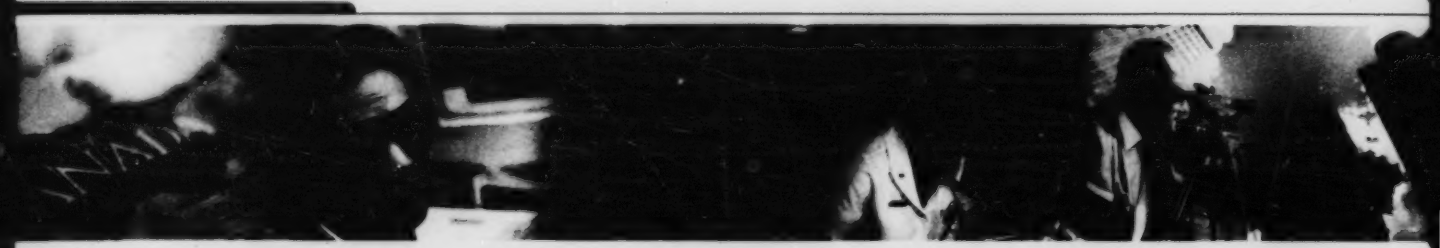
IMPROVED DAYS TO NOTIFICATION

Improved services include dramatically reducing the time it takes for the WCB to be notified about an accident. This allows the WCB to intervene more quickly, paying claims sooner and arranging treatment and rehabilitation for injured workers in a more timely way.

By creating a system that allows employers to report accidents by fax, phone and Internet, the WCB intends to find out about accidents within two days of the accident date, not the 11 day average it takes now.

As part of its business renewal plan, the WCB is examining a redesign of the current Adjudicate and Pay process to meet injured workers' needs for faster and enhanced services and, as a result, help reduce the stress and hardship that can result from a workplace injury. The main goals of this redesign are:

- To dramatically reduce days from notification of accident to adjudication
- To significantly reduce days from notification of accident to first payment
- To increase client satisfaction
- To maximize operational efficiency
- To maximize the effectiveness of our resources
- To align and integrate the Adjudicate and Pay process with the Case Management Model and the Receive and Register process.



The first phase of this project is to evaluate the existing process, identify options for redesign and then develop a conceptual design to be considered for implementation. The design of the new processes will be completed by May of 2002. Implementation will likely be phased in over time.

FASTER TURNAROUND TIME FOR CLEARANCES

The WCB currently receives approximately 6,000 requests to confirm coverage annually. Over the course of a year, WCB staff will perform up to 25,000 searches of WCB databases to verify the coverage and good standing of sub-contractors. While clearances are normally provided within 48 hours, customers—especially in the construction sector—are asking for faster service. The clearance process within the Employer Services Division is being reviewed to identify opportunities to make it significantly faster and simpler for employers. The WCB will implement systems to allow employers to use the Internet and an automated telephone system to reduce the time needed to provide clearance.

REVIEWING VOCATIONAL REHABILITATION SERVICES

A vocational rehabilitation review will compare the WCB's rehabilitation activities to those undertaken by other compensation authorities and other service providers in order to establish benchmarks for processes, outcomes and costs, especially in the context of the new Case Management Model. The review will:

- Describe the range of services and activities carried out by vocational rehabilitation consultants
- Provide recommendations regarding the future delivery of rehabilitation services
- Offer proposals regarding the structure and content of a regular report to management on the state of the program.

EXPANDING VOLUNTARY COVERAGE

The WCB is very concerned that Manitoba workers have access to workers' compensation coverage. The WCB will work with its partners in the community to ensure that employers who must obtain coverage under *The Workers Compensation Act* register with the WCB, and that non-compulsory employers are aware that they can purchase coverage for their workers.

REGIONAL SERVICES

The Manitoba WCB will open a regional office in Thompson on a pilot basis in the late autumn of 2002. The purpose of the pilot is to evaluate the effectiveness of having a regional office, determining whether this step will result in improved service to stakeholders and make effective use of WCB resources.

Most WCBs with regional offices believe regionalized service provides more effective case management because of more timely and effective personal contact with workers and employers. Other benefits include a better understanding of local workplaces, industries and cultural climates, and a reduced need for travel by clients and WCB staff.

The regional office is expected to be a major service improvement for northern residents who will be able to interact more closely and conveniently with WCB staff.

POLICY REVIEW

The WCB will continue to review its policies to ensure that services and benefits are fair to all stakeholders and that they increase the WCB's flexibility to address the individual circumstances of clients. Policies under review include:

- Cost Relief/Cost Transfers Policy
- Permanent Impairment Rating Schedule
- Penalties for Late Reporting and Claims Suppression.

INVESTING FOR THE FUTURE

The WCB's participation in the capital markets has coincided with the strongest bull market in history. During the 1990s, the run-up in equity values helped the WCB eliminate its unfunded liability, augment the rate stabilization and accident funds, offer lower assessment rates and assessment rebates and enhance benefits and services to claimants. As well, the rising value of the investment portfolio has permitted the WCB to decrease the amount of money required from employers to fund the compensation system.

After the longest and strongest rise in history, stock markets around the world experienced a severe downturn beginning in 2000. This downturn, or "bear market", is a natural behavioral pattern for equity markets. In the past thirty years, there have been five bear markets including last year's. The previous four downturns were all followed by significant recoveries.

The WCB remains confident that equities will produce attractive investment returns, meeting the "actuarial" net return rate of 7%, over the long run. The WCB's goal is to enhance its financial position further to protect the WCB and employers against unforeseen difficulties.

The WCB supports the economy of Manitoba through investment of a portion of its funds in Manitoba-based businesses and organizations. The investment performance of opportunities in Manitoba is expected to be comparable to that of investment opportunities found elsewhere, while providing additional tangible and intangible benefits.

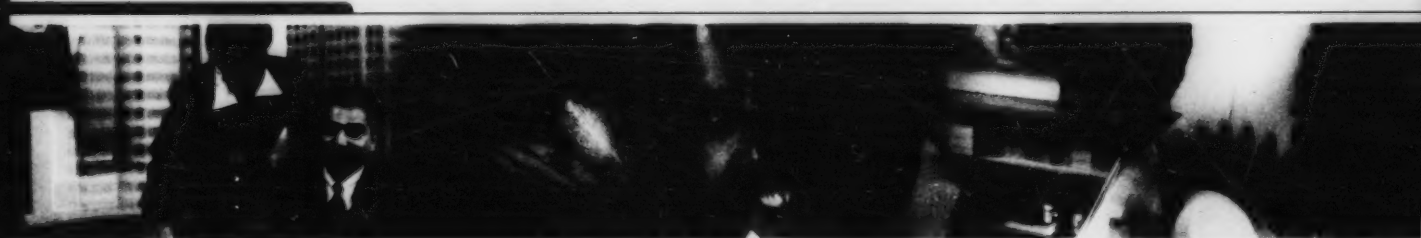
PREMIUM RATES

Over the 1999 to 2001 period, the budgeted average assessment rate in Manitoba was $1.49 per $100 of assessable payroll. As a result of the decline in the WCB's investment revenues and the prospects for the economy in 2002, the WCB will increase the average premium rate charged to employers for WCB coverage from $1.49 to $1.56 effective July 1, 2002.

Decreasing revenues as a result of the downturn in the Canadian economy, heightened by the events of September 11, 2001, have caused increases in WCB premium rates across Canada. Rate increases for 2002 announced by other Canadian WCBs range up to 27.3% in 2002. Manitoba will have the lowest average WCB assessment rate among the provinces. For the first time, the WCB used its Rate Stabilization Fund in 2001 to absorb the operating deficit to keep the rate increase as low as possible and minimize the impact on employers.

The rate increase in 2002 will be the first increase of the average rate in more than ten years and follows reductions totalling 33% from 1997 to 1999 and a rebate of $8.7 million in 1997.

Despite the increase in the average rate for 2002, the Rate Model shows that the majority of employers will receive WCB premium rate reductions owing to their improved claims experience. The majority of employers pay less than the average assessment rate for WCB coverage.



The WCB is examining ways to develop and maintain premium rates. In the long term, premium rates should provide the revenue required to meet program costs and to fund the WCB's reserves fully. At the same time, they would provide a buffer against downturns in the markets and lessen the WCB's reliance on investment income.
(See page 30 in the Financial Appendix for more information on this topic.)

Premium rates in the future will need to take emerging issues into account and the joint effort of the WCB and the Workplace Safety & Health Division to reduce workplace injuries. Any rate increase may be viewed as a fiscal drag on the economy and a disincentive to employ additional workers. These concerns may be raised frequently given the slowdown in the economy.

REVIEWING COSTS TO MAINTAIN EFFICIENT AND EFFECTIVE SERVICE

The WCB uses community-based resources to provide health care services and products and training and equipment to injured workers. In paying for these costs, the WCB has implemented a number of internal operational controls to provide assurance that WCB funds are spent in an efficient and effective manner. The WCB will assess these controls to determine if they are appropriate.

The WCB currently has the lowest administrative costs per time loss claim in the country. Manitoba's administration costs for time loss claims is $1,626. Ontario is $3,985, Saskatchewan $2,429 and Alberta $3,089. Prince Edward Island at $1,750 has the next closest administration costs per time loss claim to Manitoba.

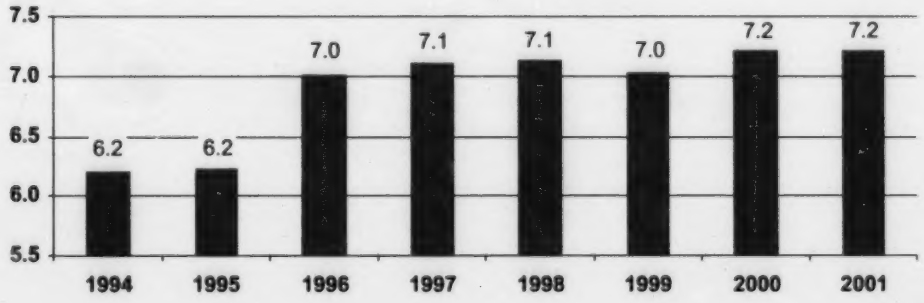
STAKEHOLDER SATISFACTION

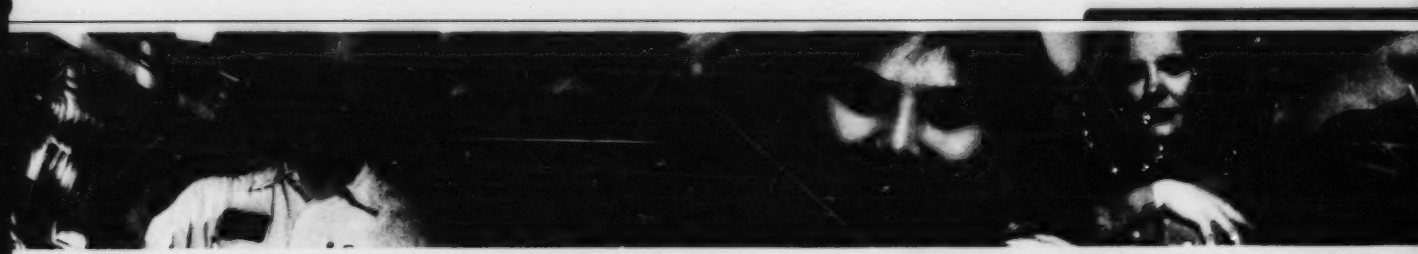
Employers and other stakeholders have responded well to the changes and improvements in WCB practices.

The drop in the time required to report an accident and the increased use of the new reporting by fax and telephone shows that employers and workers are willing to use new procedures. The WCB will soon implement on-line claims reporting and other on-line services to give employers increased and convenient access to information. Web-based claims reporting is being piloted with 60 large employers and, when introduced to employers at large, will bring them closer to the WCB and allow them to have self-service to information, programs and other services.

The Board has set a goal of scoring over 80% in customer satisfaction surveys. Current Injured Workers show a 7.2 out of 10 approval rating and Employers results show a 7.1 out of 10 satisfaction level.

Injured Worker Satisfaction





CONTINUING TO IMPROVE

The WCB will never lose sight of the fact its staff are the primary interface between the Board and employers and clients. Internal staff development will be a high priority over the coming years as the agency builds its capacity to change. The quality of WCB staff directly impacts employer and client satisfaction.

The WCB needs to empower its staff to improve their interaction with clients and stakeholders and improve the service provided to them.

INVESTING IN STAFF

WCB staff want to provide the best possible service to their clients, and they recognize the need for additional training and self-improvement opportunities. The WCB is committed to helping its employees perform successfully in their positions. A new Performance and Development System (P&DS) is a tool that will assist in optimizing individual performance and achieving organizational effectiveness.

The Performance and Development System is a cyclical process comprised of:

- Clarifying performance expectations in terms of responsibilities, goals, objectives, and competencies
- Identifying developmental activities to support those expectations
- Ongoing feedback, coaching and support from the supervisor/manager
- An annual evaluation of performance and development results.

A new Human Resource Management System called VISTA was implemented in September 2001 to provide an integrated system for human resource and payroll information. Attendance tracking for employees is now automated, allowing staff to make more efficient use of their time. The next phases of the project include applicant tracking, training and development tracking and self-service for managers and employees.

INVESTING IN STAFF EQUITY AND DIVERSITY

The WCB is committed to workplace equity and diversity. A joint employer/union employment equity committee has been established. Its goal is to help achieve equitable representation throughout the workplace and fair treatment of designated groups, without disregarding other workers' rights. While it is anticipated that achieving this goal is a long-term process, the first step will be to survey the workplace and determine to what extent the WCB is representative of diversity.

CONCLUSION

This Five Year Plan outlines the WCB goals of prevention, minimizing the impact of accidents, improved service and improved capacity.

The WCB plays an important part in promoting prevention in Manitoba. It funds many prevention and safety-related initiatives, and its enhanced Rate Model has stimulated a greater appetite for prevention.

The Review Committee on Improving Workplace Safety & Health has tendered its report to the Government. The WCB is committed to work closely with the Workplace Safety & Health Division on prevention strategies so that the human cost and economic impact of workplace accidents can be lessened.

Many projects at the WCB have been initiated to minimize the impact of workplace injuries and illnesses on workers. A new Case Management Model has been adopted, and the WCB will renew its business processes in an effort to return workers to health and work more quickly and safely.

The Board is committed to the goal of providing superior client service. Part of the WCB's role in Manitoba is to support the business community and the province's economy as a whole. To ensure it is providing the best possible service to employers, and to ensure that the province's economy remains competitive, the WCB is determined to keep its premium rates among the lowest in the country. It will pursue these goals while maintaining and improving service to workers and ensuring fairness.

New initiatives at the WCB support the goal of building the capacity needed to provide superior client service. It has invested in its people to ensure that they can deliver on the Board's commitments.

The Workers Compensation Board will continue to strive to be a leader in the delivery of quality service to its clients.

Budgeted and Projected Financial Statements
2002 - 2006

BUDGETED AND PROJECTED FINANCIAL STATEMENTS 2002 — 2006

The Board's future operating results depend on several key variables, including:

Investment returns – consistent with the rate of return used by the actuaries to calculate the value of the benefit liabilities, the Board has assumed that investments will, on average, earn a net 7% return over the next five years. Superior performance to this assumption will improve the Board's operating results, while sub-par returns will put increasing pressure on premium rates.

Time loss injury rate – in line with the Ministry of Labour and Immigration's announced target of a 15% reduction in the injury rate over the four years from 2002 to 2005, the Board has projected that claims in pay will decline over the next five years. Achieving this reduction is critical to meeting the operating results noted in the plan. *The Report of the Review Committee on the Public Consultations into the Workplace Safety and Health Injury Prevention Strategy* released in January 2002, recommends an injury rate reduction of 25% over the five year period from 2002 to 2006.

Disability management – a new Case Management Model was introduced in October 2000 and has shown positive signs of improvement in the Board's methods of dealing with claimants and employers. The success of the disability management process is important to help ensure rapid return to health for injured workers and keeping claims costs under control.

Premium revenue – as the most significant revenue stream, employer premiums play a major role in determining the Board's operating results. While the revenue amount grows along with the economy through higher employment and wage levels, decisions about the levels of premium rates have a direct impact on future results.

FUTURE PREMIUM RATE INCREASES

As noted earlier, the actual outcomes for significant variables such as investment returns and claims volumes will have a profound impact on the Board's financial position. Both of these variables are open to some influence by the WCB but are largely beyond the direct control of the organization. As a direct result of investment losses, the financial statements in the 2001 Annual Report show an operating deficit for 2001 of $2.4 million. Ultimately, if there were a continued shortfall of revenues against expenses, that shortfall would require a move to higher premium rates. Previously announced premium rate increases of 4.7% are scheduled to go into effect on July 1, 2002. While decisions on future rate adjustments are made on an annual basis in conjunction with the annual budget process, the Five Year Plan suggests that additional increases may be warranted.

Based on current circumstances and expected future revenue and expense levels, an average rate of $1.66 may be required by 2006 in order to i) achieve annual operating surpluses, and ii) begin a process of fully funding the reserves over a reasonable period of time, that is by 2014. This long-term average rate of $1.66 is still 26% lower than the average rate of $2.25 in 1996 before a three-year period of rate reductions.

Many funding options exist should the Board of Directors decide to increase the average premium rate. One possible option for phasing in the rate increase in an orderly manner is as follows:

	2002	2003	2004	2005	2006
Average rate	$1.56 July 1/02	$1.56	$1.60	$1.63	$1.66
Operating surplus / (deficit) (in $ millions)	(2.2M)	1.2M	(1.4M)	(2.3M)	8.8M

This option acknowledges that premium rates were increased for 2002 and that the Board is projected to have an operating surplus in 2003. Accordingly, to iessen the impact on employers, the potential rate increases would be phased in from 2004 to 2006.

The Five Year Plan financial statements covering the budget for the year ending December 31, 2002 and the projections for the years 2003 to 2006 are shown on pages 26 to 28. These projections were prepared using the above option to increase premium rates to $1.66 by 2006, the other key assumptions shown on pages 30 to 32, as well as the Board's accounting policies described in the Notes to the Financial Statements in the 2001 Annual Report.

The Five Year Plan projections which follow indicate that the Board's operating results will range from a deficit of $2.2 million in 2002 to a surplus of $8.8 million in 2006. Over the five years, the operating results aggregate to a net surplus of $4 million, which will cause the Board's reserves to rise from $75 million at the end of 2001 to $79 million by December 2006.

The Board's two reserves, the Rate Stabilization Fund and the Accident Fund, are available to protect the Board and its ratepayers from general business risks and catastrophic events in either the investment markets or injury claim costs. The target levels for both of these reserves are based on actuarial funding formulae that are responsive to changes in the size of the Board's operations. Projections show that these reserves should grow to $120 million in aggregate by the year 2006 in order to be considered fully funded. This is still well above the projected actual balance of $79 million at that time.

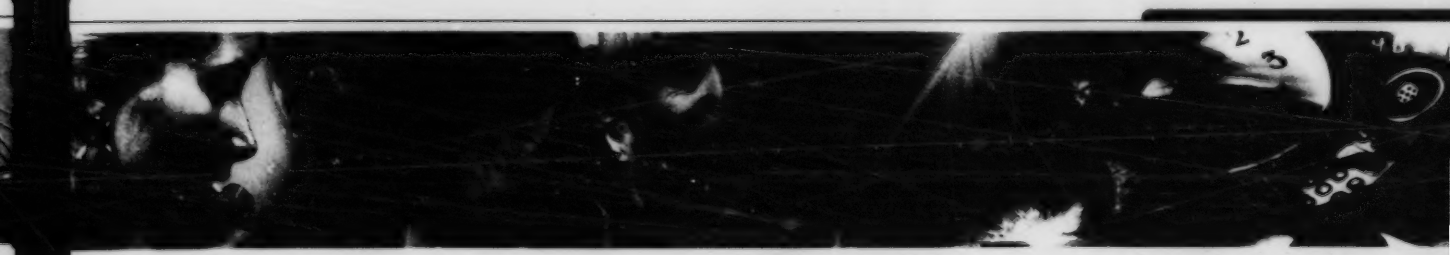
Should actual rate increases be required in the future, the Board will communicate with its major stakeholder groups and provide as much advance notice as possible to them.

DEFERRING PREMIUM RATE INCREASES

The financial statement projections on page 33 show what would occur if rate increases were deferred until after 2006 and use an average premium rate of $1.56 from July 2002 to 2006. Under this rate increase deferral assumption, the Board's operating results are expected to be largely negative, including an operating deficit as large as $9.2 million in 2005. Over the five years, the deficits would total close to $17 million, which would cause the Board's reserves to fall from $75 million at the end of 2001 to $58 million by December 2006.

If future premium rate increases were deferred until after 2006, the results would be:

	2002	2003	2004	2005	2006
Average rate	$1.56 July 1/02	$1.56	$1.56	$1.56	$1.56
Operating surplus / (deficit) (in $ millions)	(2.2M)	1.2M	(5.1M)	(9.2M)	(1.5M)



Workers Compensation Board
Balance Sheet (Unaudited)
As at December 31
(000's)

	2001 Actual	2002 Budget	2003 Projection	2004 Projection	2005 Projection	2006 Projection
ASSETS						
Cash	$ 2,025	$ 744	$ 154	$ 690	$ 911	$ 663
Receivables	22,694	23,665	25,007	26,688	28,322	30,011
Investment portfolio	712,531	712,514	713,089	720,556	727,742	747,919
Deferred assessments	20,872	19,621	18,282	18,203	18,521	18,189
Capital assets	13,046	14,193	14,229	14,167	14,002	13,733
	$771,168	$770,737	$770,761	$780,304	$789,498	$810,515
LIABILITIES AND FUND BALANCES						
Payables and accrued liabilities	$12,896	$ 14,220	$ 14,511	$ 14,807	$ 15,111	$ 15,423
Benefit liabilities	683,131	683,598	682,114	692,777	704,013	715,932
Total liabilities	696,027	697,818	696,625	707,584	719,124	731,355
Rate stabilization fund balance	55,123	52,901	52,901	51,485	49,139	49,139
Accident fund balance	20,018	20,018	21,235	21,235	21,235	30,021
	$771,168	$770,737	$770,761	$780,304	$789,498	$810,515
Funding Ratio (AWCBC method)	102.7%	102.7%	102.8%	102.8%	102.8%	103.8%

This Five Year Plan incorporates premium rate increases to $1.66 by 2006.

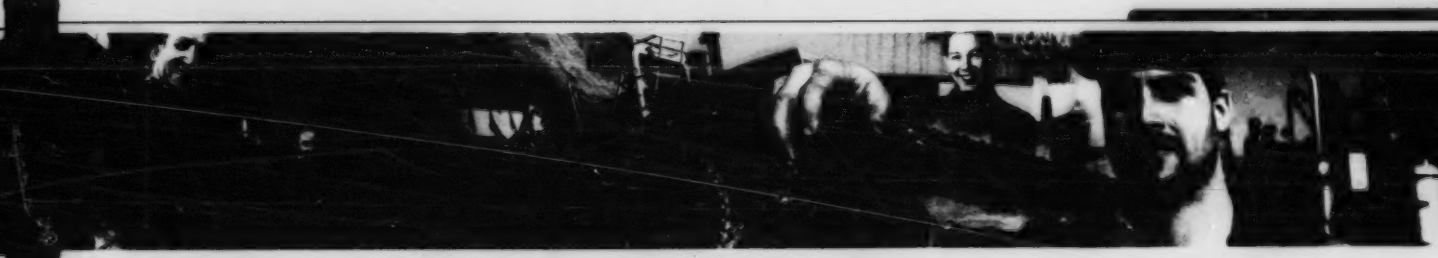
Workers Compensation Board
Statement of Operations (Unaudited)
For the years ending December 31
(000's)

	2001 Actual	2002 Budget	2003 Projection	2004 Projection	2005 Projection	2006 Projection
PROJECTED AVERAGE PREMIUM RATE	$1.51	$1.49/1.56	$1.56	$1.60	$1.63	$1.66
REVENUE						
Premiums - Class E employers	$126,024	$130,930	$138,904	$148,840	$158,458	$168,494
Premiums - Self-insured employers	17,058	16,977	17,387	17,962	18,554	19,073
Total premium revenue	143,082	147,907	156,291	166,802	177,012	187,567
Investment revenue	54,070	43,859	42,453	46,221	41,555	50,010
Total revenue	197,152	191,766	198,744	213,023	218,567	237,577
EXPENSES						
Claim costs incurred	149,729	144,137	146,525	163,608	169,363	175,447
Operating expenses	47,389	48,600	49,663	50,752	51,868	53,012
Total expenses	197,118	192,737	196,188	214,360	221,231	228,459
Operating surplus(deficit) before deferred assessments	34	(971)	2,556	(1,337)	(2,664)	9,118
Decrease in deferred assessments	(2,476)	(1,251)	(1,339)	(79)	318	(332)
OPERATING SURPLUS (DEFICIT)	($2,442)	($2,222)	$1,217	($1,416)	($2,346)	$8,786

Statement of Changes in Fund Balances (Unaudited)
For the years ending December 31
(000's)

Rate Stabilization Fund Balance						
Balance at beginning of year	$57,565	$55,123	$52,901	$52,901	$51,485	$49,139
Allocation from operating surplus	(2,442)	(2,222)	0	(1,416)	(2,346)	0
Balance at end of year	$55,123	$52,901	$52,901	$51,485	$49,139	$49,139
Accident Fund Balance						
Balance at beginning of year	$20,018	$20,018	$20,018	$21,235	$21,235	$21,235
Allocation from operating surplus	0	0	1,217	0	0	8,786
Balance at end of year	$20,018	$20,018	$21,235	$21,235	$21,235	$30,021

This Five Year Plan incorporates premium rate increases to $1.66 by 2006.



Workers Compensation Board
Statement of Cash Flows (Unaudited)
For the years ending December 31
(000's)

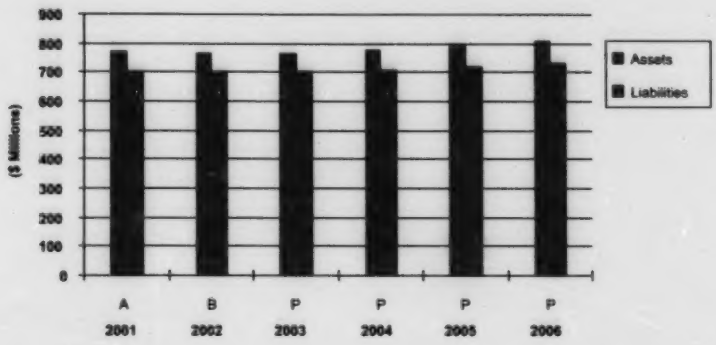
	2001 Actual	2002 Budget	2003 Projection	2004 Projection	2005 Projection	2006 Projection
OPERATING CASH FLOWS						
Premiums from employers	$142,270	$146,936	$154,950	$165,120	$175,378	$185,878
Payments to claimants or third parties on their behalf	(141,682)	(143,670)	(148,009)	(152,946)	(158,127)	(163,528)
Purchases of administrative goods and services	(46,036)	(43,409)	(45,409)	(46,392)	(47,399)	(48,431)
Net cash used by operating activities	(45,448)	(40,143)	(38,468)	(34,218)	(30,148)	(26,081)
INVESTING CASH FLOWS						
Proceeds from investment portfolio	49,138	43,876	41,878	38,754	34,369	29,833
Capital asset acquisitions, net of disposals	(3,165)	(5,014)	(4,000)	(4,000)	(4,000)	(4,000)
Net cash provided by investing activities	45,973	38,862	37,878	34,754	30,369	25,833
Net increase (decrease) in cash	525	(1,281)	(590)	536	221	(248)
Cash at beginning of year	1,500	2,025	744	154	690	911
Cash at end of year	$ 2,025	$ 744	$ 154	$ 690	$ 911	$ 663

NOTE: Proceeds from investment portfolio includes the following categories: investment revenue, proceeds on disposal of investments and purchase of investments.

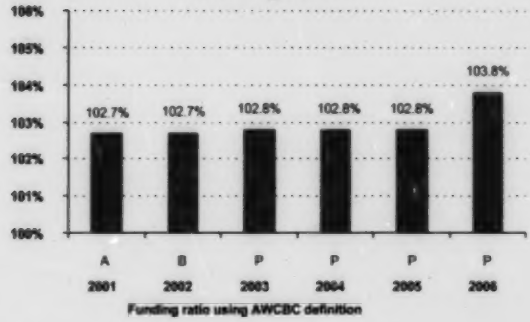
This Five Year Plan incorporates premium rate increases to $1.66 by 2006.

FINANCIAL HIGHLIGHTS OF THE FIVE YEAR PLAN

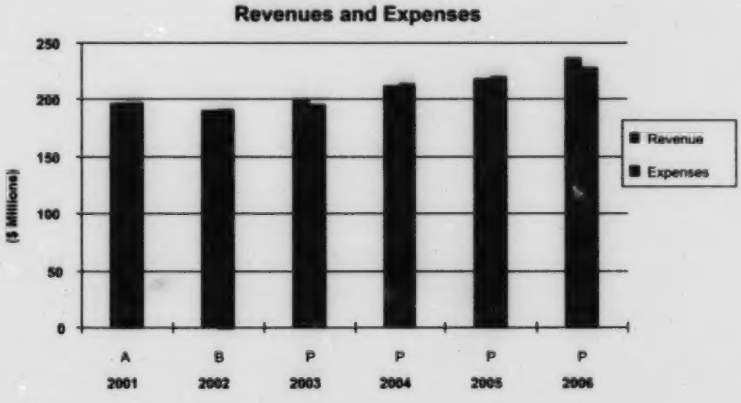
Assets and Liabilities



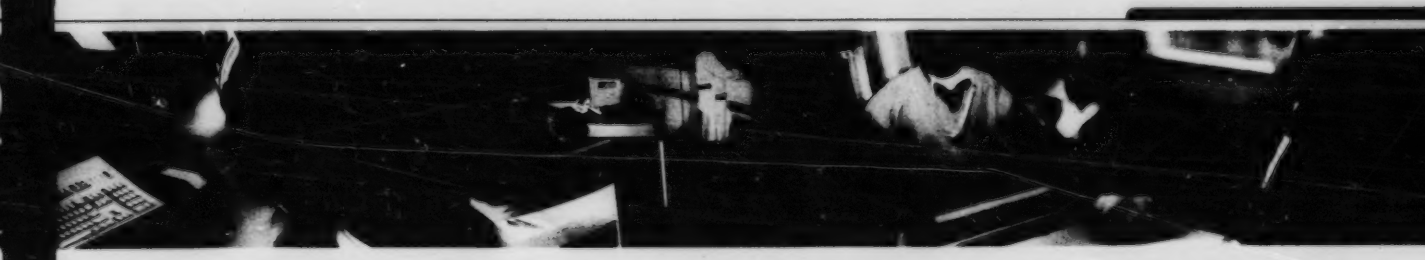
Funding Ratio



Revenues and Expenses



A: Actual **B: Budget** **P: Projections**



KEY ASSUMPTIONS – FIVE YEAR PLAN (2002 – 2006)

The following key assumptions, as at February 13, 2002, were used to develop the 2002 Five Year Plan.

General Assumptions:

1. Employment growth impacts premium revenue as well as claims costs through the level of accidents. Employment growth is expected to be between -1% and +1% in 2002. The Board has assumed flat employment growth for that year. Employment levels are assumed to increase by 1.0% in 2003 and 1.5% per annum thereafter. (Based on models developed by the Manitoba Bureau of Statistics).

2. The Average Weekly Wage (AWW) should increase between 1.5% and 3% per annum. It is assumed to increase by 2.6% in 2002 growing to 3.0% per annum by 2004 and beyond (MBS).

3. Inflation (CPI) is predicted to be between 1.0% and 3.0% over the next five years. For the Five Year Plan it is assumed to be 2.5% per annum.

Premium Assumptions:

1. Assessable payrolls are assumed to increase by 2.6% to $8.52 billion in 2002 as a result of the assumptions on employment growth and higher wages. Payrolls will grow by 3.8% in 2003 and by 4.5% per year thereafter.

2. The average premium rate will be $1.49 per $100 of assessable payroll for the first six months of 2002. Effective July 1, 2002, the average rate will increase to $1.56, resulting in an effective increase of 2.3% for 2002. For 2003 the average rate is assumed to remain at $1.56 followed by phased-in rate increases to $1.60 in 2004, $1.63 in 2005 and $1.66 in 2006.

3. Interest revenue of $1 million per year is included in Premium Revenue.

Investment Portfolio Assumptions:

1. Investment returns have been very volatile in recent years. The Board's portfolio managers have offered a wide range of predictions for 2002: Canadian equities up 8 to 20%; US equities up 6 to 22%; EAFE stocks up 6 to 15%; and Canadian bonds either dropping 3% or growing 6% depending on the direction of interest rate changes. Overall this would yield a portfolio return of 2% at the low end or 13% using the optimistic predictions.

   For the Five Year Plan, the Board is using an overall annual net return of 7%, which is the long term average return used to discount the Board's liabilities. Investment income for 2002 - 2006 is based on the following expected total rates of return (income plus market growth) by asset class:

	2002	2003 - 2006
Canadian equities	11.0%	10.5%
U.S. equities	8.0%	7.5%
International equities	8.5%	6.5%
Canadian bonds	5.2%	5.5%
Other investments	3.0% to 8.0%	3.0% to 8.0%
Expenses	(0.5%)	(0.5%)
Net Total (weighted average)	7.0%	7.0%

2. The Board uses its investment returns to supplement premium revenue to fund its operations. The Board will make annual withdrawals from the portfolio totaling $47.5 million in 2002 and approximately $34 - $46 million per year thereafter.

Benefit Assumptions:

1. The budgets are based on existing legislation and administrative policies. Any significant changes to *The Workers Compensation Act* or to Board policies will be dealt with as budget amendments as they arise.

2. The injury rate for time loss claims was 5.4% in 2001. It is projected to drop to 5.1% in 2002 and then continue to decrease to 4.7% by 2006. This approximates the target of a 15% reduction in the injury rate over the four years from 2002 to 2005 announced by the Ministry of Labour and Immigration in 2001. *The Report of the Review Committee on the Public Consultations into the Workplace Safety and Health Injury Prevention Strategy* released in January 2002, recommends injury rate reduction of 25% over the five year period from 2002 to 2006.

3. As a result of the aforementioned employment growth and injury rate assumptions, compensation claims in pay are expected to be:

	Time Loss Claims in Pay	Change
2001 Actual	21,811	-
2002 Budget	20,590	(5.6%)
2003 Projection	20,380	(1.0%)
2004 Projection	20,260	(0.6%)
2005 Projection	20,140	(0.6%)
2006 Projection	20,010	(0.6%)

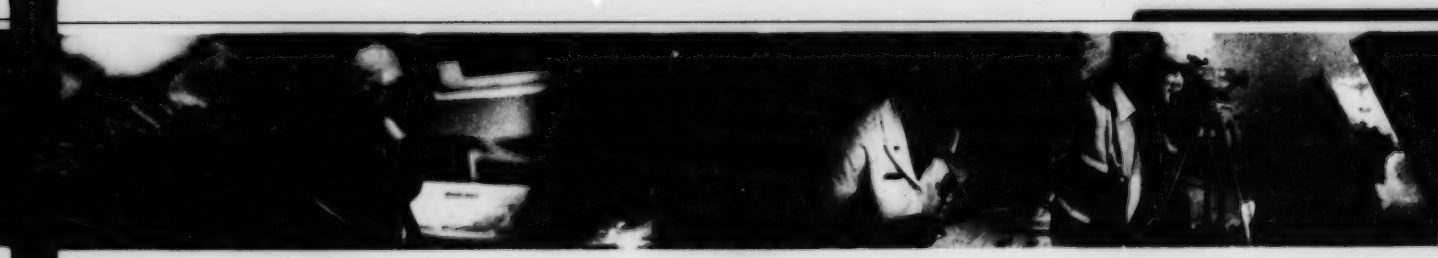
4. Wage loss compensation is based on the injured worker's net pay after income taxes. Recent federal and provincial income tax reductions will result in increases in compensation wage loss payments to claimants of 1.7% in 2002. Further reductions in income tax rates, if any, are not incorporated into the Five Year Plan.

5. As a result of wage increases and the impact of lower income tax rates, coupled with the expected distribution of claims by original year of claim, the average cost per compensation claim is expected to be $2,312 in 2002, an increase of 7.2% over 2001. It is projected that this will increase by 2.8% in 2003 and 3.0% in future years.

   The average cost of a rehabilitation claim is budgeted to climb 4.3% in 2002 to $11,833 followed by increases of 2.8% in 2003 and 3.0% in the years thereafter.

6. Medical aid costs are based on contractual arrangements currently in place. Annual increases in expenses are expected to be between 5% and 10% depending on inflation and claims levels. The Five Year Plan is based on an annual increment in medical aid expenses of 6% (based on health care inflation of 9% and a reduction in claims of 3%).

7. The future cost for medical aid expenses of existing claims is calculated as a multiple of current year spending. The multiple, or factor, for 2001 was 2.343 and is likely to be between 2.30 and 2.50 for the next five years. The assumption used is 2.35 times annual spending.



Operating expense assumptions

1. For the purposes of the Five Year Plan administration expenses are assumed to grow at the level of CPI after 2002, i.e. at 2.5%.

2. The Board is developing plans for the provision of regional services in northern Manitoba with the opening of an office in Thompson in October 2002. The budget for 2002 and the projections for subsequent years include the cost of this service enhancement.

3. As mandated by the provincial government in the April 2001 provincial budget, levies for Workplace Safety & Health and the Worker Advisor Office are expected to increase in 2002 by $177,000 to the designated level of $6.6 million (a total increase of $1.5 million over 1999). Further increases are not projected.

4. Capital expenditures are budgeted to be $5.0 million in 2002 being comprised of approximately $3.4 million in new capital projects budgeted for 2002 and $1.6 million to complete multi-year projects begun in prior years. Capital expenditures are projected to be $4.0 million per year thereafter, broken down as $3.8 million for IT and $0.2 million for other capital items. Depreciation charges are budgeted at $3.9 million in 2002, escalating to $4.3 million per annum by 2006.

5. The operating expense consequences of implementing any of the recommendations from the *Report of the Review Committee on the Public Consultations into the Workplace Safety and Health Injury Prevention Strategy* are not included in the budget or projections.

RISKS

The 2002 budget and the projections for 2003 to 2006 have been prepared using assumptions that are considered reasonable and probable. Actual results achieved for these five years will vary from the information presented and the variations may be material.

The two areas that have the greatest potential variation are investment revenue and claims costs incurred.

Investment revenue is budgeted to be $43.9 million in 2002 and is expected to range from $41.6 million to $50.0 million from 2002 to 2006. While these revenue expectations are based on assumptions for rates of returns and cash flows that are viewed as reasonable, fluctuations will occur and these fluctuations can be significant. Given the Board's reliance on investment revenue to stabilize premium rates, further decreases in investment returns due to market declines may result in additional increases in premium rates.

Claim costs incurred include the amounts spent in the current year for new claims, as well as the expected future costs to be incurred for those claimants. Claim costs also include any adjustments to the estimated future costs for claims arising from prior years. The two measures with the greatest impact on claims costs are accident levels and costs per claim.

1. The Five Year Plan incorporates the safety initiative introduced in 2001 by the Ministry of Labour and Immigration to reduce the injury rate in Manitoba by 15% over the four years from 2002 to 2005. An inability to achieve these reductions will lead to higher accident and claims volumes and correspondingly higher expenses. *The Report of the Review Committee on the Public Consultations into the Workplace Safety & Health Injury Prevention Strategy* released in January 2002, in fact, calls for an injury rate reduction of 25% over the five year period from 2002 to 2006.

2. Costs per claim are budgeted based on assumptions for wage increases, income tax changes, and inflation for health care costs. The average cost per claim is also quite sensitive to the proportion of old and new claims in the payment mix. Older claims, which are more expensive, have increased as a relative percentage in recent years. The reduction projected in new claims levels may lead to significant increases in the average cost per claim if the Board is unable to stem the growth in prior year claims.

Claim costs incurred can also be affected dramatically by a small number of expensive claims, such as fatalities where there are young dependents surviving the deceased worker.

Workers Compensation Board
Statement of Operations (Unaudited)*
For the years ending December 31
(000's)

	2001 Actual	2002 Budget	2003 Projection	2004 Projection	2005 Projection	2006 Projection
REVENUE						
Premiums – Class E employers	$126,024	$130,930	$138,904	$145,144	$151,696	$158,404
Premiums – Self-insured employers	17,058	16,977	17,387	17,962	18,554	19,073
Total premium revenue	143,082	147,907	156,291	163,106	170,250	177,477
Investment revenue	54,070	43,859	42,453	46,168	41,339	49,453
Total revenue	197,152	191,766	198,744	209,274	211,589	226,930
EXPENSES						
Claim costs incurred	149,729	144,137	146,525	163,588	169,275	175,018
Operating expenses	47,389	48,600	49,663	50,752	51,868	53,012
Total expenses	197,118	192,737	196,188	214,340	221,143	228,030
Operating surplus (deficit) before deferred assessments	34	(971)	2,556	(5,066)	(9,554)	(1,100)
Decrease in deferred assessments	(2,476)	(1,251)	(1,339)	(79)	314	(377)
OPERATING SURPLUS (DEFICIT)	($2,442)	($2,222)	$1,217	($5,145)	($9,240)	($1,477)

Statement of Changes in Fund Balances (Unaudited)
For the years ending December 31
(000's)

Rate Stabilization Fund Balance						
Balance at beginning of year	$57,565	$55,123	$52,901	$52,901	$47,756	$38,516
Allocation from operating surplus	(2,442)	(2,222)	0	(5,145)	(9,240)	(1,477)
Balance at end of year	$55,123	$52,901	$52,901	$47,756	$38,516	$37,039
Accident Fund Balance						
Balance at beginning of year	$20,018	$20,018	$20,018	$21,235	$21,235	$21,235
Allocation from operating surplus	0	0	1,217	0	0	0
Balance at end of year	$20,018	$20,018	$21,235	$21,235	$21,235	$21,235

*** This scenario incorporates a premium rate of $1.56 from July 1, 2002 to 2006.**